

Message Text

UNCLASSIFIED

PAGE 01 FRANKF 06356 241507Z
ACTION LAB-04

INFO OCT-01 EUR-12 ISO-00 SIL-01 EB-08 COME-00 /026 W
-----034171 242306Z /66

R 281440Z AUG 77
FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 9131
INFO AMEMBASSY BONN

UNCLAS FRANKFURT 6356

E.O. 11652: N/A
TAGS: ELAB, GW
SUBJECT: DEPARTMENT OF LABOR INFORMATION REQUEST ON ADVANCE NOTICE
OF LAYOFFS

REF : (A) BONN 13457, (B) STATE 175050

1. CONFIRMING THE VIEWS OF ECONOMISTS AS NOTED BY BONN IN PARA 9

REFTEL

(A), EMPLOYERS THROUGHOUT THE FRANKFURT CONSULAR DISTRICT HAVE,
SINCE THE 1974 ECONOMIC DOWNTURN, CITED TOTAL LABOR COSTS AND
REIGIDITIES IMPOSED BY GERMAN LABOR LAW AS PRIME DRAGS ON NEW
HIRING. THIS DISINCLINATION TO EXPAND EMPLOYMENT ROLLS
APPLIES TO ALL TYPES OF LABOR, FROM UNSKILLED THROUGH ENGINEERING
AND ADMINISTRATIVE RANKS.

2. SPECIFICALLY, EMPLOYERS EXPRESS A UNIFORM DETERMINATION TO
MINIMIZE NEW LABOR COMMITMENTS IN FACE OF TOTAL LABOR COSTS PER
WORKER WHICH ARE AMONG THE WORLD'S HIGHEST. LEGAL CONSTRAINTS
ON LAYOFFS ARE CITED BY EMPLOYERS AS ONE DIRECT OR INDIRECT
COST ELEMENT ALONG WITH FRINGE BENEFITS AND EMPLOYER CONTRIBUTIONS
TO WORKERS HELTH AND WELFARE PROGRAMS WHICH INCREAST TOTAL
LABOR COST BY 70 PERCENT. PLUS OVER BASIC HOURLY RATES.

3. IN ADDITION TO AN OVERALL DAMPENING ON NEW HIRING, THESE
LABOR COSTS AND RESTRAINTS HAVE EVOKED AT LEAST TWO
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INVESTMENT AND PLANNING RESPONSES: (A) DESPITE A GENERAL
DISINCLINATION TO EXPAND CAPACITY, FIRMS ACTIVELY SEEK
FURTHER TO RATIONALIZE, AUTOMATE, AND UPGRADE AS MEANS OF
AVOIDING ADDITIONAL LABOR COSTS; AND (B) FIRMS OF ALL SIZES
SHOW INCREASING INTEREST IN ESTABLISHING MANUFACTURING
FACILITIES IN OTHER COUNTRIS, PARTICULARLY IN THE UNITED
STATES, WHERE TOTAL LABOR COSTS ARE OFTEN LOWER THAN IN

GERMANY AND FREEDOM OF ACTION IN LABOR MATTERS IS MORE
CONDUCTIVE TO PROFITABLE OPERATIONS.LEHMANN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR LAW, INFORMATION EXCHANGE, EMPLOYMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977FRANKF06356
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770306-0520
Format: TEL
From: FRANKFURT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770815/aaaaamah.tel
Line Count: 64
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 60d5df51-c288-dd11-92da-001cc4696bcc
Office: ACTION LAB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BONN 13457, 77 STATE 175050
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1457441
Secure: OPEN
Status: NATIVE
Subject: DEPARTMENT OF LABOR INFORMATION REQUEST ON ADVANCE NOTICE OF LAYOFFS
TAGS: ELAB, GE
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/60d5df51-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009